

Speaker Notes
Hurricane Katrina National Partner Conference Call
November 29, 2005

- **SPEC's (Stakeholder Partnerships, Education & Communication) Response to Hurricane Katrina – Marie Medeck**
 - Discussed IRS national response – extended due dates on returns, special rules for cashing out vacation and sick leave to use as charitable donations, provide special dedicated disaster assistance phone line, waived fees for transcripts and prior year returns, etc.
 - Discussed SPEC's response working with all functions in the Wage and Investment Division, with special focus on issues that will directly impact the Volunteer Return Preparation Program (VRPP). Noted that SPEC's response included the initial capability assessment process, Phase I training focused on new tax law and will culminate with Phase II training that will focus on VRPP operational issues as well as any additional Katrina tax law provisions enacted by Congress.
 - Thanked the SPEC partners for their active contribution to these efforts and looks forwarded to additional opportunities to discuss issues facing the field during the 2006 filing season.
- **Records Reconstruction/Referral Services – Leslye Baronich**
 - No final decisions have been reached by the Service on records reconstruction with respect to the Substitute for W-2 issue. Multi-functional teams within the IRS (including pre-filing and compliance) have worked on an updated policy that is in the final review process within the IRS. When the final decision has been made, it will be promptly shared with all VRPP partners and the Phase II Katrina training will provide detailed information on how the new policy should be implemented at all VRPP sites.
 - Conversations continue with five key national organizations (American Institute of Certified Public Accountants (AICPA), National Association of Tax Professionals (NATP), National Society of Accountants (NSA), American Association of Attorneys & Certified Public Accountants (AAA-CPA), and the Association of Enrolled Agents (NAEA)) continue with the goal of securing agreements with each for them to perform pro bono services for Hurricane Katrina victims and evacuees, especially with respect to casualty loss returns. More information will be provided as final agreements are reached.
- **Hurricane Katrina Tax Law Update – Nan Ellen Fuller**
 - The Katrina Emergency Tax Relief Act of 2005 postpones the deadlines for affected taxpayers to file returns, pay taxes and perform other time-sensitive acts until February 28, 2006.
 - Tax relief is automatic for those in areas designated by FEMA as individual assistance areas. Extensions are automatic. Taxpayers do not need to do anything to get the extensions and other available relief.
 - Taxpayers need to identify themselves as hurricane victims by writing **Hurricane Katrina** in red ink at the top of their tax forms or any other documents filed with the IRS.
 - IRS.gov contains a wealth of Katrina-related information. If taxpayers need to contact the IRS or have other hurricane related tax questions, they can also call the special IRS disaster hotline at: 1-866-562-5227.

- **Help for Individuals Taxpayers**

- **Relief from early withdrawals from retirement plans.** Victims may withdraw up to \$100,000 from an IRA, 401(k) plan or similar savings plan without penalty for distributions made on or after August 25, 2005, and before January 1, 2007. In addition, they would not be taxed on withdrawals that are repaid within three years and would be permitted to pay income tax on other withdrawals over a three-year period. Finally, Katrina victims who withdrew funds from an IRA after February 28, 2005, and before August 29, 2005 for a first-time home purchase but who could not complete that purchase, may put the funds back in their IRAs without penalty, if done so by February 28, 2006.
- **Temporary Suspension of Limitations on Charitable Contributions.** In the case of an individual, the deduction for qualified contributions is allowed up to the amount by which the taxpayer's contribution base (usually Adjusted Gross Income) exceeds the deduction for other contributions.
- **Additional exemption for housing individuals displaced by Katrina.** For individuals who use their principle residences to provide free housing to evacuees for at least 60 consecutive days may claim a special \$500 deduction from taxable income for each evacuee. The deduction may be claimed in 2005 and 2006 for eligible individuals but is capped at \$2,000 total for both tax years. The shelter must be in the taxpayer's principle residence and the evacuee's principle residence must have been in the Hurricane Katrina disaster area as of August 28, 2005. NOTE: New Form 8914 - Will need the Social Security Number of displaced individual.
- **Increase in the standard mileage rate for charitable use of passenger autos.** The optional standard mileage rates for miles driven between September 1 and December 31, 2005 has increased to 48.5 cents for all business driving and 22 cents per mile for moving or medical reasons. The law also increased the mileage rate for determining the tax deduction for the charitable use of an automobile to provide Hurricane Katrina disaster relief to 70 percent of the standard mileage rate in effect for business usage. The mileage rate for taxpayers providing service to charitable organizations remains at 14 cents per mile.
- **Charitable mileage reimbursements.** The reimbursement received by a volunteer from an organization described in Code Section 170(c) is excluded from his or her gross income up to the amount that equals the full standard business mileage rate. This exclusion provision applies during the period beginning August 25, 2005 and ending on December 31, 2006.
- **Special rule for determining earned income.** Katrina victims may use their 2004 income to calculate the child tax and the earned income tax credits for a tax year that included August 25, 2005. To be eligible, taxpayers must have lived in (1) the core disaster area or (2) the Hurricane Katrina disaster area and must have been displaced from his or her home by reason of Hurricane Katrina, as of August 25, 2005. The earned income for 2005 must be less than 2004 earned income. NOTE: There are plans to implement an automated telephone and web application to enable taxpayers to verify Tax Year 2004 income.
 - ***Pending Hurricane Legislation***
 - Additional relief for Katrina victims
 - Extend some of the Katrina benefits to victims of Rita and Wilma
 - Unsure at this time of impact since law has not passed yet

- Congress is scheduled to consider it again mid December
 - Preliminary reports of the legislation indicate many of the additional provisions will be for business – Some (but not all) Katrina I provisions may be extended to Rita and Wilma victim
- **Hurricane Katrina Training/Products Update – Elaine Beck**
 - Fact Sheet for Partners: Shared with Territories during Conf Call 10/26/2005
 - PowerPoint Presentations: Katrina Emergency Tax Relief Act of 2005 – Covers the tax law only – Territories were asked to provide PowerPoint presentations to partners by December 9, 2005 – 2 PowerPoint Options (Comprehensive and Overview)
 - Additional training currently under development – Will include new tax forms, instructions, exhibits, and examples
 - Publication 4492, currently untitled – This pub will cover the first wave of Katrina legislation; will be between 16 and 24 pages; available electronically on the IRS.gov product repository by the end of December; hard copies in National Distribution Center mid-January. Partners can order from their IRS-SPEC contacts. After enactment by Congress, the second wave of legislation will be covered in Publication 553, Highlights of 2005 Tax Changes. Release date of this publication is not known at this time.
- **SPEC Capability Assessment Overview – Don Dill**
 - SPEC completed a partner capability assessment with respect to free tax preparation and outreach capacity in early November. The assessment was completed with all three major facets of the VRPP: VITA, TCE and Military. FEMA data based on where Katrina victims had filed claims was used as a gauge for potential impact in terms of Katrina evacuees settling in new cities.
 - Overall capacity was not materially impacted. New Orleans indicated the loss of capacity in terms of free tax preparation on the order of 3,000 returns, while Baton Rouge indicated the ability to complete 4,000 additional returns. Special focus will be made by both SPEC and its partners in those two communities.
 - Capability assessment included a resource needs assessment. Overall, the following cities indicated the need for computers and printers in order to provide additional services: Alexandria, Baton Rouge, Dallas, Fort Worth, Gulfport, Mobile and Shreveport. Any partners with ability to provide resources in those communities should contact their IRS-SPEC relationship manager for additional information.
 - Special discussion was held regarding the overwhelming needs in the cities of New Orleans, Baton Rouge and in the state of Mississippi. In those communities, all areas of resources are needs, especially volunteers and in many cases for AARP sites.
 - Discussion was held about the need to communicate with all VRPP partners about special activities planned for impacted communities in terms of outreach and free tax preparation efforts. Special notice was given of the plans underway to complete a series of “Super Saturdays” in the Biloxi areas in an effort to complete large numbers of tax returns in the most efficient manner. More information is forthcoming on those efforts to allow all partners to contribute to these special efforts.
- **Volunteer Return Preparation Program Updates – Operational Issue**
 - **Income limits** – VRPP provides free tax return preparation and assistance to taxpayers with AGI (Adjusted Gross Income) less than \$37,000. VRPP volunteers will provide assistance for taxpayers with tax-related issues noted above as in-scope who have AGI of

less than \$37,000 for the VITA sites. (**NOTE:** Income limits do not apply to TCE or Military VITA sites.)

- **Amended Returns** – VRPP volunteers are not trained to prepare amended returns. Due to risks in quality/accuracy, we have not changed our policy to allow volunteers to prepare these returns.
- **Delinquent Returns** – VRPP volunteers prepare prior year returns (if trained and certified to prepare).
- **Casualty Losses**
 - SPEC contemplated the issue of working casualty losses at VRPP sites but made the determination that the complexity of the law regarding casualty losses provided a significant risk to the quality of tax preparation services that volunteers could provide.
 - SPEC understands that regardless of the decision that casualty loss returns will not be completed at VRPP sites, taxpayers will still have questions about casualty losses when they visit VRPP sites. The Phase II training materials currently being devised will include a section on casualty losses that can be used at VRPP sites as a “pre-screening” tool in terms of casualty loss determinations.
 - Discussed additional resources available at www.IRS.gov website regarding casualty losses that can be used as “awareness/educational” materials for VRPP sites.
 - Discussed the ongoing efforts to secure agreements with several national organizations to provide pro bono services to low-income families with casualty loss returns. More information is forthcoming.
- **Transcripts/Prior Year Returns**
 - Discussed the significant time issue related to the securing of transcripts and/or prior year tax returns for taxpayers who have lost their tax records. The ability to obtain these records is not instantaneous (generally transcripts are received in 7 to 10 days, with prior year returns taking longer to receive) and thus taxpayers will need to make efforts to secure these items well in advance of seeking assistance at a VRPP site.
 - Discussed the need for both SPEC and partners to start outreach efforts about securing transcripts and/or prior returns in December in advance of the tax season.
 - For Katrina victims, transcripts and prior year tax returns can be secured at no cost from the IRS (fees have been waived).
 - Transcripts can be ordered by phone through the IRS special disaster hotline – 1-866-562-5227.
 - Transcripts and Prior Year Tax Returns can be completed by filing the proper form with the IRS. Transcripts are ordered on Form 4506-T, Request for Transcript of Tax Return, and prior year tax returns are ordered on Form 4506, Request for Copy of Tax Return.
- **TaxWise Update**
 - Approximately 5,300 software orders were placed on 11/19/05
 - Next order scheduled to be placed 12/1/05
 - Orders placed on 11/19 will be shipped 2-day domestic or 4-day international beginning Saturday, December 10
 - Orders placed after those are shipped on a first-come/first-served basis however, history proves that any order placed prior to 12/8 can potentially be shipped on 12/10 but will definitely be shipped by 12/13.

- The first version (20.0) of TaxWise for tax year 2005 will not include the tax law changes required under the Katrina Emergency Tax Relief Act of 2005. These changes will be included in the first major release scheduled for 1/3/06.
 - A drop-down selection will be available with the 1/3/06 release which will allow users to identify the returns for Katrina victims according to the legislative requirements.
 - Returns prepared with a substitute W-2 (Form 4852) can be electronically filed **if all fields are complete**. If there is missing information, such as the employer's EIN (Employee Identification Number), the return will reject and cannot be electronically filed. This is true also with child care credit. If the taxpayer does not have or know the child care providers EIN, the return cannot be electronically filed.
- **Next Steps**
 - Up-to-the-minute Hurricane Katrina information from the IRS is available on the web at www.irs.gov. Additionally, view SPEC-specific information by visiting our section of the IRS.gov website by typing in the keyword search “Community Network” and then scroll down to the “Partner Products and Volunteer Resource Center”.
 - A follow-up conference call will be scheduled in mid-December to provide an update on the key issues discussed during this call that are still awaiting final decisions (i.e. records reconstruction, referral services, training products, tax law changes, etc.). Detailed information on the next conference call will be shared with you through your normal SPEC communication channel.
- **Question and Answer Section**
 1. **Question:** Are FEMA benefits received by residents taxable or non-taxable?
Answer: Post-disaster relief grants received under the Disaster Relief and Emergency Assistance Act are not includable in your income if the grant payments are made to help you meet your necessary expenses or serious needs for medical, dental, housing, personal property, transportation or funeral expenses. You may not deduct casualty losses or medical expenses that are specifically reimbursed by these disasters.
 - a. Unemployment assistance payments under the Disaster Relief and Emergency Assistance Act are taxable unemployment compensation.
 - b. You can exclude from income any amount you receive that is a qualified disaster relief payment. A qualified disaster relief payment is an amount paid to you:
 - To reimburse or pay reasonable and necessary personal, family, living, or funeral expenses that result from a qualified disaster.
 - To reimburse or pay reasonable and necessary expenses incurred for the repair or rehabilitation of your home or repair or replacement of its contents to the extent it is due to a qualified disaster.
 - By a person engaged in the furnishing or sale of transportation as a common carrier because of the death or personal physical injuries incurred as a result of a qualified disaster.
 - By a Federal, state, or local government or agency, or instrumentality in connection with a qualified disaster in order to promote the general welfare.

2. **Question:** Working with Coalitions, has the thought been given regarding providing short training for state tax returns for Alabama, Louisiana and Mississippi?
Answer: Yes, IRS is looking to partnering for the preparation of state tax returns. We are looking at state publications to see if we can write procedures that will assist. Also, we are working with Government Liaison office in obtaining permission to e-file.
3. **Question:** Will the LITC restrictions on tax prep be eased?
Answer: LITC guidance is being modified to allow limited tax return prep.
4. **Question:** If a taxpayer does not have a W2, will you provide guidance on what to do if they don't have their last pay stub to recreate a W2?
Answer: Plan being developed on records reconstruction guidance.
5. **Question:** Can you review TaxWise dates?
Answer: Orders placed with IRS representative by 11/19/05 will be shipped by 12/10/05; 2 days domestic; 4 days international. As a matter of fact, orders placed through 12/8/05 will be shipped 12/10/05. That will be version 20.0 and will not contain Katrina changes. An updated version with Katrina changes will be shipped 1/3/06. Orders will ship every other day after 12/10/05.
6. **Question:** If a client comes into a VITA site and we determine they do have a casualty loss, can we file without the loss to get a refund and then amend the return at a later time to get the benefit of the casualty loss?
Answer: The taxpayer has every right to do that, but we don't want to encourage filing two returns.
7. **Question:** How long does it take to receive a transcript?
Answer: Generally 7-10 days. That is why we are encouraging outreach to get the word out early, so taxpayers don't experience a delay in completing their return.
8. **Question:** Are the impacted cities short in every area of need?
Answer: Typically computers and printers are the number one need. It rated highest in the capacity study. Jan Pretus said the most highly impacted areas have the highest need for volunteers. In many cases, prior volunteers are not available and in some cases, the partners are not available. We welcome any suggestions, ideas or contributions.
9. **Question** asked by Marie Medeck to Partners: We realize that evacuees are all over the US and we know you are not familiar with preparing state tax returns. How comfortable are you that you can provide the service of completing the state return?
Answer: Regional Coordinator for Central Region of the AARP Randy Duff stated for most impacted areas the issue is space and volunteers. He has computers piled up waiting in some locations. The LA state tax has an equivalent to the Pub 4012, so that could be used to prepare a simple state return. MS and ALA do not have anything of this type. Marie mentioned doing state tax returns on paper would be daunting. Jan Pretus said it will get tricky with state taxes. MS just came out of a special session and we do not know the changes yet. The state issues are ever changing and they may go into another special session for more changes.